MATT BLUNT
GOVERNOR

KEITH SCHAFER, Ed.D.
DIRECTOR

STATE OF MISSOURI
DEPARTMENT OF MENTAL HEALTH
1706 EAST ELM STREET
P.O. BOX 687
JEFFERSON CITY, MISSOURI 65102
(573) 751-4122
(573) 751-8224 FAX
www.dmh.mo.gov

OFFICIAL MEMORANDUM

June 2, 2008

TO: **All Interested Parties**

FROM: **DMH Executive Team**

SUBJECT: **DMH State Fiscal Year (SFY) 2010 Environmental Scan and Budget Priority Areas**

This memorandum officially begins DMH's SFY 2010 budget development cycle. The information, divided into five sections, alerts consumers, families, advocates, community providers and DMH state programs to issues, constraints and opportunities for DMH in the SFY 2010 budget development process.

1. SFY 2009 Budget Recap
2. SFY 2010 Economic and Political Scan
3. Key Mental Health Budget Development Themes for SFY 2010
4. DMH SFY 2010 Priority Areas
5. SFY 2010 Budget Development Timeline

SFY 2009 BUDGET RECAP

The DMH SFY 2009 appropriations recommended by Governor Blunt and truly agreed and finally passed (TAFP) by the Legislature offer another positive growth year for mental health services for Missourians as described below:

Table 1: SFY 2009 Operating Budget Overview

Fund	Total Adjusted Core	New Decision Items	Total TAFP Operating Budget
General Revenue	$585,086,149	$35,637,731	$620,723,880
Federal	474,670,869	26,321,287	500,992,156
Other	43,495,787	7,810,830	51,306,617
Total	$1,103,252,805	$69,769,848	$1,173,022,653

Table II: Significant Approved SFY 2009 New Decision Items

Approved Appropriations Item	Amount: Total Funds and (GR)
3% State Employee COLA	$8.5 million ($7.8 million GR)
3% Community Provider Inflationary Increase	$22 million ($10 million GR)
Specialized Autism Services	$7.3 million ($4.5 million GR)
Serving families of returning Veterans with MH problems; and, Transition Services for Homeless Veterans in St. Louis	$2.2 million ($950,000 GR)
Personnel Advisory Board approved repositioning for critical DMH clinical and direct care positions	$1.7 million ($845,920 GR)
MRDD Provider Tax from State Habilitation Centers to generate $2.7 million in FED earnings for MRDD Quality Assurance	$4.3 million GR
Increased Medication Costs-Community and DMH Facilities	$1.6 million GR
Increased Food and Medical Costs-DMH Facilities	$609,064 GR
Police Crisis Intervention Training (single year funding)	$200,000 GR
Methamphetamine Treatment	$900,000 Inmate Revolving Fund
Northwest Region Modified Medical Detoxification Program	$750,000 GR
DMH CPS inpatient Electronic Medication Administration System (pharmacy barcode distribution system-single year funding)	$3.8 million Healthcare Technology Fund-GR equivalent
Missouri Sexual Offender Treatment Center expansion and authority to contract with county jails for detainee detention	$1.5 million GR
MO HealthNet/Mental Health Technology Partnership	$500,000 GR
Community Mental Health Center/FQHC Cost-to-Continue	$750,000 GR
Non-Emergency Medical Transportation Cost-to-Continue	$1,000,000 ($370,000 GR)
Caseload Growth	$528,631 ($195,593 GR)
Benton County MRDD Services	$150,000 GR

Table III: SFY 2009 Core Reduction or Redirection Items

Core Reduction or Redirection Item	Amount Reduced or Redirected
A 3% expense and equipment core reduction for all DMH administrative and program offices. However, given patient over census, the Legislature exempted state hospitals and habilitation centers.	$210,000 (An additional $1.0 million would have been lost had DMH state hospitals and habilitation centers been included in the reduction.)
Transfer of MRDD case management responsibilities for 1,200 children in the First Steps Program to the Department of Elementary and Secondary Education.	$890,000 GR core reduction (However, $264,000 in GR fringe benefits from the Office of Administration was returned to the DMH budget for case management for other DMH clients.)
Transfer of $1.0 million from Dept. of Corrections Inmate Revolving Fund to DMH Alcohol and Drug Abuse programs and concurrent reduction of $1.0 million GR from DMH core budget.	Net revenue neutral action.

Table IV: Capital Improvements, Leasing and Cross Departmental Budget Highlights

CI, Leasing or Cross-Dept. Item	Amount
Facility expansion for the Thompson Center for Autism and Neurodevelopmental Disorders	$5.0 million
Construction of new 52-bed facility at Bellefontaine Habilitation Center	$18 million
DESE Sheltered Workshop Employee Increase	From $13 to $15 per day
Dept. of Corrections (DOC) Community MH Services Expansion	$1.15 million (Inmate Revolving Fund)
DOC Community Substance Abuse Treatment Expansion	$545,000 (Inmate Revolving Fund)

Disappointments in the SFY 2009 Budget Cycle: Failure of the Legislature to fund Governor-recommended School Based Mental Health Services or alcohol and drug abuse treatment for parents of children taken into state custody due to parental drug abuse. Funding for Assertive Community Treatment Teams (ACT), a high DMH priority, also failed to receive legislative support.

SFY 2010 ECONOMIC AND POLITICAL SCAN

Missouri Economic Scan:

Missouri's SFY 2008 annual revenue growth was projected by both the Governor's Office and Legislature at 3.1%. As this letter was written, actual annual revenue growth stood at 2%, possibly reflecting the effect of a national and global economic downturn. Each 1% of reduction totals approximately $80 million in state General Revenue (GR).

While core reductions in the remainder of SFY 2008 (through June 30, 2008) can be avoided through use of one-time reserves, Missouri's current economic condition may prove problematic in the coming fiscal year. High gasoline and heating oil costs, a deflated housing market and resulting problems in the banking industry, as well as depressed consumer confidence, may result in a lower projected annual state revenue growth in SFY 2009.

With benefit of more recent economic information, the Legislature reduced the overall SFY 2009 state operating budget $150 million below the Governor's Office recommendations to help offset constricted revenue growth and avoid additional withholdings or core cuts beyond usual reserves.

Given the above, DMH and its advocates should not expect SFY 2010 DMH budget growth to be comparable to SFYs '08 and '09.

Missouri Political Scan:

Neither the President nor Governor Blunt will be returning to their respective positions in SFY 2009 resulting in executive leadership changes at both national and state levels. Among other things, this will mean that the Department's SFY 2010 budget development processes will be subject to the outgoing review of Governor Blunt and the incoming review of the Governor who succeeds him.

Term limits in Missouri will mean that at least five new state Senators and 30 new state Representatives will be coming to the General Assembly next year. The House and Senate will also have new leadership. While it is possible for the Republican Party to lose majority position in the coming election, it is not projected in either House or Senate.

Bipartisan support for mental health in Missouri:

The DMH budget represented 9.8% of the state's total GR budget in SFY 1986 but had shrunk to 6.2% by SFY 2005. Since SFY 2005, however, DMH's percentage of the total state GR budget has been preserved at 6.2% through the support and strong financial management of Governor Blunt and the General Assembly and the strong advocacy of the mental health community. Approximately $95 million in new GR has been appropriated to DMH during the four years Governor Blunt was in office.

KEY MENTAL HEALTH BUDGET DEVELOPMENT THEMES FOR SFY 2010

The Mental Health Transformation Initiative and DMH Executive Team strategic planning processes have identified key themes for Missouri Mental Health Transformation in coming years. Based on these themes, the Missouri Mental Health Commission will share information on key departmental issues related to four of these themes with Missouri gubernatorial candidates during this election year to help them better understand the problems and needs of Missouri's Mental Health system. They are as follows:

1. Missourian's lack of timely access to mental health services, both community based and state operated;

2. DMH's inability to control admissions and discharges at its state psychiatric hospitals and the resulting crisis in hospital patients over census;

3. Critical direct care and clinical staff vacancy rates and limited training resources for both DMH facilities and community providers, diminishing DMH's ability to assure a safe treatment and care environment for DMH consumers; and

4. The need for DMH to increase focus on prevention and disease management, including better risk prediction, early intervention and better integration of behavioral and medical healthcare instead of DMH's current tertiary, crisis-oriented system.

Each of the four themes is described in detail in <u>Attachment A</u> of this Memorandum. Please review them carefully. Beyond mandatory infrastructure support items (employee COLA, provider inflationary adjustments, medication, food and medical costs, etc.) all new SFY 2010 budget priority recommendations should focus on one of these four key thematic areas.

DMH SFY 2010 BUDGET PRIORITIES

DMH Operating Budget Priorities:

1. Mandatory infrastructure support items.

2. Priority decision items to support the themes overviewed above and in Attachment A.

3. Any DMH Core Redirection item that allows DMH to move forward with the above themes and that strengthens local community mental health service systems, including:

    - Psychiatric Acute Care transformation;

    - Transition of MRDD Case Management services to Senate Bill 40 Boards or Affiliated Community Service Providers;

    - Transition of patients in state hospital long term care facilities and residents in MRDD habilitation centers to community living and support settings as individually appropriate;

    - Continued redirection of the Missouri Sexual Offender Treatment Program as outlined in the SFY 2009 appropriations process with the Governor and Legislature.

4. DMH will give special consideration to budget proposals that strengthen cross-division and inter-departmental services to create a more transparent system for consumers and shift from crisis response toward prevention, early intervention and disease management, such as:

   - CPS-MRDD collaboration around children and adults with developmental disabilities and mental illness/severe emotional disorders;
   - DMH and public school collaboration around school-based mental health services;
   - Integrated dual diagnosis treatment of persons with mental illness and alcohol and other drug abuse problems;
   - DMH and Department of Corrections (DOC) collaboration around individuals on probation or parole with mental illness and addiction problems;
   - DMH and Department of Social Services-MO HealthNet collaboration for risk prediction and disease management of individuals at high risk due to co-occurring chronic medical and behavioral conditions;
   - DMH collaboration with Federally Qualified Health Centers (FQHCs) and other primary healthcare providers to better integrate medical and behavioral healthcare;
   - DMH collaboration with the Missouri Veteran's Commission and the Federal Veterans Administration to expand mental health support services for veterans and their families;
   - DMH and Department of Social Services-Children's Services Division collaboration around children who are victims of severe trauma;
   - DMH and Department of Social Services collaboration around the parents of children removed from their custody due to addiction problems.

DMH has three key policy questions to address in construction of its SFY 2010 budget:

1. Should DMH limit the number of budget items it presents to the Governor and Legislature to allow greater concentration in a few key areas of growth and core budget redirection?

2. Given expected economic conditions, what limits should DMH put on its GR budget requests?

3. What priority should DMH give to successful "sub-state pilot programs" such as ACT or Modified Medical Detoxification programs? These programs represent initiatives DMH supports; however, adequate funding has not been secured for statewide implementation.

Capital Improvements Priorities:

The highest DMH capital improvements priority in SFYs 2010-11 will be modernization of Fulton State Hospital. Fulton is the last of Missouri's state hospitals to be modernized, and the change is desperately needed to improve treatment conditions for approximately 525 forensic consumers receiving long term care services. Other Capital Improvement priorities are yet to be determined.

SFY 2010 BUDGET DEVELOPMENT TIMELINE

June 2	SFY 2010 Budget Development Letter is distributed
June 12	Mental Health Commission Budget Subcommittee reviews core redirects, mandatory increases (such as food and medical costs), and budget policy questions
July 10	Mental Health Commission Budget Subcommittee reviews new decision items
August 14	Mental Health Commission SFY 2010 Budget presentation
September 11	Mental Health Commission SFY 2010 Budget final review
October 1	SFY 2010 DMH Budget submitted to OA Budget & Planning

Public Input:

We invite you to submit suggestions or feedback to the following individuals. Input from consumers, families and providers are invaluable as the Department plans for the future. Please send your comments to the appropriate individual by June 23, 2008, as follows:

FOR BUDGET ITEMS RELATED TO:	CONTACT
Department-wide	Keith Schafer, Director Department of Mental Health 573-751-3070 keith.schafer@dmh.mo.gov
Division of Alcohol and Drug Abuse (ADA)	Mark Stringer, Director Division of ADA 573-751-9499 mark.stringer@dmh.mo.gov
Division of Comprehensive Psychiatric Services (CPS)	Joe Parks, Director Division of CPS 573-751-2794 joe.parks@dmh.mo.gov
Division of Mental Retardation & Developmental Disabilities (MRDD)	Bernard Simons, Director Division of MRDD 573-751-8676 bernard.simons@dmh.mo.gov

ATTACHMENT A

Excerpted from DMH 2008 Gubernatorial Candidate Briefing

FOUR MAJOR ISSUES

1. *Missourians Lack Timely Access to Mental Health Services*

- Due to lack of adequate funding, DMH-contracted community mental health centers (CMHCs) turn away 2,000 people per month in need of mental health treatment who are without insurance or MO HealthNet coverage.
- Most DMH psychiatric hospitals typically operate at 108-115% over census. Western Missouri Mental Health Center's emergency room has been on diversion for 360 of the last 365 days.
- Only 8% of the estimated 485,000 Missourians with substance abuse problems were treated by the Division of ADA in SFY 2007. A snapshot of waiting lists on one day in 2007 found over 3,000 people waiting for ADA services.
- One in 150 Missouri children will be diagnosed with Autism.
- MRDD case managers have caseloads as high as 70 clients in many areas of the state.
- 4,000 eligible individuals still await MRDD in-home or community residential services.

IMPACT:

- On average, Missourians with serious mental illness die 25 years earlier than the general population; 60% will die from a chronic medical condition, not from self-harm.
- Missourians with developmental disabilities die 12-16 years earlier than the general population.
- 25% of all U.S. community hospital admissions for adult patients involve serious mental illness and substance abuse.
- 16% of all Department of Corrections (DOC) inmates are diagnosed with mental illness, and 85% have substance abuse problems.

2. *State Psychiatric Facilities are Seriously Overcrowded*

- State psychiatric facilities are seriously overcrowded because of few community alternatives and limited ability to control admissions and discharges.
- Courts control 7 of 10 admissions to DMH long term care state hospital beds *[Incompetent to Stand Trial (IST), Not Guilty By Reason of Insanity (NGRI), or sexual predators (Missouri Sexual Offender Treatment Program—MOSOTC)].*
- Courts also control forensic discharges from state facilities to community settings or jail for individuals found competent to stand trial for an alleged crime.

"If we cannot control the front end or the back end of our institutional services, our only choices are to add more beds and resources or dilute the quality of care until we experience crises in safety for patients and staff."

Dr. Joe Parks, DMH Medical Director and
Director, Division of Comprehensive Psychiatric Services

IMPACT:

- Overcrowding of State Facilities: State psychiatric hospitals operated at 108-115% capacity in SFY 2007.
- Client Injuries: In the past year there were 5,244 injuries requiring at least first-aid to clients in DMH facilities; 633 of these required medical intervention beyond first-aid.
- Staff Injuries and Workers Compensation: For Fiscal Years 2005 (1,559), 2006 (1,718) and 2007 (1,756), DMH staff reported a total of 5,033 injuries to Worker's Compensation. Of these, 60% were client related.

3. *Workforce Shortage and Low Reimbursement Rates Pose Significant Challenges to Care and Safety*

- Departmentwide (State Psychiatric Hospitals and MRDD Habilitation Centers) vacancy and turnover rates in key direct care and clinical staffing positions:

Staff Position	Annual Turnover Rate
Direct Care	**25.65%**
Psychiatrist	**24.14%**
Psychologist	**20.25%**
Nursing	**27.90%**

- DMH contracted community providers serve 95% of all DMH consumers. Over the last 15 years, community provider rates have not kept pace with inflation. Community providers cannot compete with the private sector or even state salaries. Costs of medicine, food, transportation and communication far exceed inflation rate adjustments.

- Disparity examples: State employee COLAs (salary and fringe) increased 49.7% between fiscal years 1999 to 2008 compared to 11.6% for ADA provider COLAs, 11.1% for CPS provider COLAs, and 30% for MRDD provider COLAs.

- Federal reimbursement rates for Federally Qualified Health Centers (FQHCs) for many behavioral health services are nearly twice that received by community mental health centers.

IMPACT:

- Facility staff overtime is too high. DMH paid overtime trends: $11 million in SFY 05 to $13 million in SFY 07.

- Facility staff morale is low due to mandatory overtime and a feeling that nothing is improving.

- Facility direct care staff view their positions as dead-end jobs with no career advancement opportunities.

- Facility sick leave is too high, with some staff manipulating Family Medical Leave.

- Contracted community providers are in much the same predicament:
  - Unable to compete with private sector for professionals and direct care workers;
  - High turnover, low morale;
  - Unable to keep pace with rising food, fuel, and insurance costs.

4. *Inadequate Resources for Wellness, Prevention, and Early Intervention*

- DMH must transform its current system from crisis-driven care toward a public health approach that emphasizes wellness, prevention, disease management, and early intervention.
- Missouri's autism treatment services for young children must be greatly expanded, in collaboration with school-based autism services.
- Missouri lacks full insurance parity for the treatment of either mental illness or addiction, and there is an urgency from families seeking insurance coverage for autism-related services.

- Employment opportunities are scarce for DMH consumers.
  - Persons with serious mental illness and developmental disabilities generally live in poverty.
  - Only 16.5% of individuals with serious mental illness worked during 2006.
  - There is a 40% gap between the employment rate of adults with disabilities and those without disabilities. Half of Missouri's homeless have serious mental illness or addiction.

IMPACT:

- Current system is limited to costly "deep-end" behavioral services available only to the sickest Missourians, predominately individuals that are MO HealthNet eligible. Disabled recipients are among the most expensive of the MO HealthNet program.
- All three operating divisions have long waiting lists for services. Those lists could be reduced with proper preventive services and early intervention.